



**BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT**

April 12, 2010

James Goldstene
Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Proposed Amendments to the On-road Truck and Bus Regulation

ALAMEDA COUNTY
Tom Bates
(Vice-Chairperson)
Scott Haggerty
Jennifer Hosterman
Nate Miley

**CONTRA COSTA
COUNTY**
John Gioia
(Secretary)
David Hudson
Mark Ross
Gayle B. Uilkema

MARIN COUNTY
Harold C. Brown Jr.

NAPA COUNTY
Brad Wagenknecht
(Chairperson)

**SAN FRANCISCO
COUNTY**
Chris Daly
Eric Mar
Gavin Newsom

SAN MATEO COUNTY
Carol Klatt
Carole Groom

SANTA CLARA COUNTY
Susan Garner
Ash Kalra
Liz Kniss
Ken Yeager

SOLANO COUNTY
James Spering

SONOMA COUNTY
Shirlee Zane
Pamela Torliatt

Jack P. Broadbent
**EXECUTIVE
OFFICER/APCO**

Dear Mr. Goldstene,

I am writing to provide you with the Bay Area Air Quality Management District's (Air District) comments on the proposed amendments to the On-road Truck and Bus Regulation (On-road Regulation). Based on information provided by your staff, I believe that you will provide an informational update regarding possible amendments to your Board on April 22, 2010. With this in mind, I wanted to provide you with the Air District's perspective on the proposed changes.

Firstly, I would like to compliment your staff on their willingness to take input from industry, air districts and the public on the implementation of this regulation. This demonstrates the California Air Resources Board's (ARB) sensitivity to fairness, equity and the economic burdens faced by industries when complying with new regulations.

With regard to the proposed changes to the On-road Regulation, the Air District is concerned that the proposed changes will delay crucial emissions reductions in highly impacted communities along Bay Area highways. As you may be aware, our Community Air Risk Evaluation Program (CARE) has identified On-road Trucks as being the source of 80% of the toxic air contaminants (diesel particulate matter) emitted in the Bay Area and the leading source of cancer health risk in the air basin. This fact was borne out by the health risk assessment performed in West Oakland by both of our agencies which identified 70% of the cancer health risk in that community as emanating from On-road Trucks. In addition to these facts, it should also be noted that the Bay Area is home to 20% of the population of the State of California and that that population is exposed to over 20% of the total diesel particulate emissions from statewide goods movement, again primarily from On-road Trucks.

The confluence of these factors means that we have a significant number of highly impacted communities and residents living in close proximity to Bay Area highways who will continue to be exposed to toxic air contaminants for each day this regulation is delayed.

However, the Air District also recognizes that incentives programs may provide

an alternative pathway to attain the emissions reductions promised in the regulation, while at the same time providing relief to industry. Should the ARB choose to increase the availability of incentives programs to address the On-road Regulation, based on our recent experience with the implementation of the Port Drayage Truck incentives program, I believe you should consider the following:

- **Access to Capital/Credit:** During our implementation of the Port Drayage Truck incentives program, the single largest issue faced by grantees was the availability of capital/credit. While the trucking industry is one of the nation's oldest, it is not well understood by many banks and credit institutions. These entities were reluctant to provide loans to grantees for retrofits devices and replacement trucks. Additionally, where loans were provided, many came with high interest rates.

In considering next steps in the implementation of the On-road Regulation, ARB must address the capital/credit issue as part of any proposed incentives program. The Air District suggests that ARB investigate the provision of a loan guarantee program whereby reasonable interest and repayment rate can be arranged by the State with participating institutions. This will ensure the best deal is available for both California taxpayers and truckers.

- **Access to Retrofit Devices and Replacement Trucks:** Another principal issue confronted by the Air District as part of its Port Drayage Truck incentives program was the availability of retrofit devices and replacement trucks. Considering that air districts statewide retrofitted and replaced only approximately 5,000 vehicles as part of this program, the delays experienced in receipt of inventory to meet this demand were extensive and required an additional four-month extension of the regulatory deadline. Anticipating and preparing for the demand from the much larger On-road Truck category will be essential to efficient operation of any future incentives or regulatory programs.

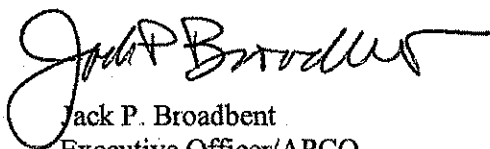
Based on the Air District experience, the principal issue in providing for the demand during implementation of the Port Truck program was the fact that all of the vehicles needed to comply on the same date. Also, the reality of the operation of the program was that the regulated community waited until the penultimate moment to retrofit and replace vehicles. In looking at the proposed amendments to the On-road Regulation, this Air District is concerned that ARB is setting up a similar "bottleneck" during the two years prior to compliance with particulate matter provisions of the On-road Regulation. In order to counteract this, the Air District suggests that ARB look at the requirements of all of its available incentives funding to ensure this funding is available in sufficient quantities over the entire four years leading up to the regulatory deadline. This may necessitate changes to both "surplus" emission reductions requirements and incentives program guidelines.

- **Bulk Purchases:** In considering how best to expend scarce incentives dollars to maximize their emissions reductions impacts, the Air District believes that the ARB should consider negotiation of bulk purchase rates for both trucks and retrofit devices with manufacturers. This leverages available funding to the maximum and provides the State with the ability to get the best price on devices and vehicles based on bulk contracts. ARB could then select a range of vendors based on price points and varying trucker needs to provide a range of reasonable cost vehicle and retrofit solutions for incentives program participants.

- **Vouchers:** During operation of the Port Drayage Truck program, the Air District interacted very closely with grantees, vendors and manufacturers of retrofit devices and replacement trucks. As part of these interactions, we were able to observe first-hand the difficulties experienced by individuals in dealing with complex guideline requirements, documentation requests and the application process required by ARB guidelines. While the Air District understands the need for fiscal surety, to operate incentives programs on the scale that will be required to meet the demand for the On-road Regulation will be extremely difficult under current guidelines. We recommend that all incentives provided for On-road Trucks be disbursed via a voucher style program in order to minimize the paperwork and administration burden on truckers and implementers alike

Finally, I would like to thank you for the opportunity to comment on the proposed revisions to the On-road Regulation. If you have any questions regarding this letter, please feel free to contact me at (415) 749-5052 or Damian Breen, Director of the Strategic Incentives Division at (415) 749-5041.

Sincerely yours,



Jack P. Broadbent
Executive Officer/APCO

JPB:JR:DB

